UCLA

Course	Economics 262F - Topics in Labor Economics: Public Sector Microeconomics, Spring 2022
Contact Information	Bernardo Silveira 9371 Bunche Hall Email: silveira@econ.ucla.edu
Office Hours	By appointment.
Class Time and Location	Classes will be held on Thursdays from 2:00 – 4:30 PM. We will meet in Bunche 9294.
Class Website	https://bruinlearn.ucla.edu/courses/133560.

Course Description

This course will focus on the empirical study of settings in which asymmetric information plays an important role. Specifically, it covers the analysis of data on auctions, contracts and bargaining. Methodologically, the course emphasizes structural approaches, which bring together empirics and theory. We will dedicate several classes to the empirical analysis of auctions — a literature that has experienced tremendous development over the past 20 years and that is now an important component of Applied Microeconomics. We will pay especial attention to key methodological contributions and to applications that are of interest to Public Economics, such as procurements. We will then move on to contracts and bargaining, where we will discuss recent analyses of regulation, non-linear pricing, signaling, bilateral trading and litigation.

For each paper covered in class, we will discuss in detail the research question, related theories, data, sources of identification, estimation techniques, and policy implications.

Course Requirements

1. Participation: where the outline lists a paper with a star next to it, this indicates reading is required before class. You will be expected to answer questions about the required paper in class. Also, I would encourage you to attend the relevant seminars (especially events sponsored by the Applied and Industrial Organization groups). They will provide you with a view of the current areas of research. They will also give you a sense of what to expect when you are giving a job market talk.
2. Problem Sets: one problem set will be given.
3. Referee report: you will need to complete a referee report of a recent paper of my choice.

General References

Paarsch, H. and H. Hong, (2006): "An Introduction to the Structural Econometrics of Auction Data", MIT Press.

Athey, S. and P. Haile (2007): "Nonparametric Approaches to Auctions," in J. Heckman and E. Leamer, eds., *Handbook of Econometrics*, Volume VI, Amsterdam: North Holland.

Hendricks, K. and R. Porter (2007): "A Survey of Empirical Work on Auctions," in R. Porter and M. Armstrong, eds., *Handbook of Industrial Organization*, Volume III, Amsterdam: North Holland.

Hickman, B., T. Hubbard and Y. Saglam (2012): "Structural Econometric Methods in Auctions: A Guide to the Literature," *Journal of Econometrics Methods*, 1, 67-106.

Hortaçsu, A. and I. Perrigne (2021): "Empirical Perspectives on Auctions," *Handbook of Industrial Organization*, Volume V, Amsterdam: Elsevier Science.

Bolton, P. and M. Dewatripont (2004): "Contract Theory," MIT Press.

Ausubel, L, P. Cramton and R. Deneckere (2002): "Bargaining with Incomplete Information," emphHandbook of Game Theory, Volume III, Amsterdam: Elsevier Science.

OUTLINE AND SELECTED READING

An asterisk (*) next to a paper means it is required reading before class. The following list includes the papers we will focus on in class, plus some I may briefly refer to. It is far from being an exhaustive account of all the relevant literature on each given topic.

Class 1: Identification; Early Empirical Research on Auctions

Matzkin, R.L. (2007) "Nonparametric Identification," in *Handbook of Econometrics*, Vol. 6b, edited by J.J. Heckman and E.E. Leamer, Elsevier Science.

Paarsch, H. (1992): "Deciding Between the Common and Private Value Paradigms in Empirical Auction Models of Auctions," *Journal of Econometrics*, 51, 192-215.

Laffont, J.J., H. Ossard and Q. Vuong (1995): "Econometrics of First-Price Auctions," *Econometrica*, 63, 953-980.

Class 2: First-price auctions

*Guerre, E., Perrigne, I., and Q. Vuong (2000): "Optimal Nonparametric Estimation of First-Price Auctions," *Econometrica*, 68, 525-574.

Li, T., I. Perrigne and Q. Vuong (2001): "Structural Estimation of the Affiliated Private Value Auction Model," *Rand Journal of Economics*, 33, 171-193.

Haile. P., H. Hong and M. Shum (2003): "Nonparametric Tests for Common Values at Fist-Price Sealed Bid Auctions," *NBER Working Paper 10105*.

*Krasnokutskaya, H. (2011): "Identication and Estimation in Highway Procurement Auctions under Unobserved Auction Heterogeneity," *Review of Economic Studies*, 28, 293-327.

Somaini, P. (2020): "Identification in Auction Models with Interdependent Costs," *Econometrica*, 128, 3820-3871.

Class 3: Ascending auctions

*Athey, S. and P. Haile (2002): "Identification of Standard Auction Models," *Econometrica*, 70, 2107-2140.

*Haile, P. and E. Tamer (2003): "Inference with an Incomplete Model of English Auctions," *Journal of Political Economy*, 111, 1-51.

Classes 4-5: Recent Extensions and Applications to the Public Sector

Krasnokutskaya, H. and K. Seim (2011): "Preferential Treatment Program and Participation Decisions in Highway Procurements," *American Economic Review*, 101, 2653-2686.

Athey, S., J. Levin and E. Seira (2011): "Comparing open and Sealed Bid Auctions: Evidence from Timber Auctions," *Quarterly Journal of Economics*, 126, 207-257.

Gagnepain, P., M. Ivaldi and D. Martimort (2013): "The Cost of Contract Renegotiation: Evidence from the Local Public Sector," *American Economic Review,* 103, 2352-2383.

*Bajari, P., S. Houghton and S. Tadelis (2014): "Bidding for Incomplete Contracts: An Empirical Analysis of Adaptation Costs," *American Economic Review*, 104, 1288-1319.

Bhattacharya, V. (2021): "An Empirical Model of R&D Procurement Contests: An Analysis of the DOD SBIR Program," *Econometrica*, 2189-2224.

Bolotnyy, V. and S. Vasserman (2021): "Scaling Auctions as Insurance: A Case Study in Infrastructure Procurement," *working paper*.

Kang. K. and R. Miller (2021): "Winning by Default: Why is There So Little Competition in Government Procurement?," *Review of Economic Studies,* 83, 269-305.

*Kong, Y., I. Perrigne and Q. Vuong (2021): "Multidimensional Auctions of Contracts: An Empirical Analysis," *American Economic Review*, forthcoming.

Allen, J., R. Clarck, B. Hickman and E. Richert (2019): "Resolving Failed Banks: Uncertainty, Multiple Bidding & Auction Design," *working paper*.

*Filmore, I. (2021): "Price Discrimination and Public Policy in the U.S. College Market," *Review of Economic Studies,* forthcoming.

*Slattery, C. (2020): "Bidding for Firms: Subsidy Competition in the U.S.," *working paper*.

Class 6: Screening

*Luo, Y., I. Perrigne and Q. Vuong (2018): "Structural Analysis of Nonlinear Pricing," *Journal of Political Economy,* 126, 2523-2568.

*D'Haultfoeuille, X. and P. Février (2020): "The Provision of Wage Incentives: A Structural Estimation Using Contracts Variation," *Quantitative Economics,* 11, 349-397.

Leslie, P. (2004): "Price Discrimination in Broadway Theatre," *RAND Journal of Economics*, 35, 520-41.

Cotton, C., B. Hickman, J. List, J. Price and S. Roy (2020): "Productivity Versus Motivation in Adolescent Human Capital Production: Evidence from a Structurally-Motivated Field Experiment," *working paper.*

Class 7: Regulation

Wolak, F. (1994): "An Econometric Analysis of the Asymmetric Information, Regulator-Utility Interaction," *Annales d'Économie et de Statistique,* 34, 13-69.

Timmins, C (2002): "Measuring the Dynamic Efficiency Costs of Regulators' Preferences: Municipal Water Utilities in the Arid West," *Econometrica*, 70, 603-629.

Perrigne, I. and Q. Vuong (2011): "Nonparametric Identification of a Contract Model with Adverse Selection and Moral Hazard," *Econometrica,* 79, 1499-1539.

Duflo, E., M. Greenstone, R. Pande and N. Ryan (2018), "The Value of Regulatory Discretion: Estimates from Environmental Inspections in India," *Econometrica,* 6, 2123-2160.

*Lim, C. and A. Yurukoglu (2018) "Dynamic National Monopoly Regulation: Time Inconsistency, Moral Hazard, and Political Environments," *Journal of Political Economy,* 126, 263-312.

Blundell, W., G. Gowrisankaran and A. Langer (2020): "Escalation of Scrutiny: The Gains from Dynamic Enforcement of Environmental Regulations," *American Economic Review,* 110, 2558-2585.

*Kang, K. and Silveira, B., (2021): "Understanding Disparities in Punishment: Regulator Preferences and Expertise," *Journal of Political Economy*, 129, 2947-2992.

Class 8: Signaling

*Kawai, K., Onishi, K. and Uetake, K. (2020): "Signaling in Online Credit Markets," *Journal of Political Economy*, forthcoming.

Backus, M., T. Blake and S. Tadelis (2019): "On the Empirical Content of Cheap-Talk Signaling: An Application to Bargaining," *Journal of Political Economy*, 127, 1599-1628.

Sahni, N. and N. Harikesh (2020): "Does Advertising Serve as a Signal? Evidence from a Field Experiment in Mobile Search," *Review of Economic Studies*, 87, 1529-1564.

Sweeting, A., J. Roberts and C. Gedge (2020): "A Model of Dynamic Limit Pricing with an Application to the Airline Industry," *Journal of Political Economy*, 128, 1148-

1193.

Kong, Y., Silveira, B. and Tang, X. (2021): "Risk and Information in Dispute Resolution: An Empirical Study of Arbitration," working paper.

Class 9-10: Bargaining (with Incomplete Information)

Ambrus, A. and E. Chaney and I Salitsky (2018): "Pirates of the Mediterranean: An Empirical Investigation of Bargaining with Transaction Costs," *Quantitative Economics.* 9, 217-246.

Keniston, D. (2011): "Bargaining and Welfare: A Dynamic Structural Analysis of the Autorickshaw Market," working paper.

*Larsen, B. (2021): "The Efficiency of Real-World Bargaining: Evidence from Wholesale Used-Auto Auctions," *Review of Economic Studies,* 88, 851–882.

Merlo, A. and F. Ortalo-Magné and J. Rust (2015): "The Home Selling Problem: Theory and Evidence," *International Economic Review*, 56, 457-484.

Eraslan, H. (2008) "Corporate Bankruptcy Reorganizations: Estimates From a Bargaining Model," *International Economic Review*, 29, 659-691.

Merlo, A. and X. Tang (2015): "Bargaining with Optimism: A Structural Analysis of Medical Malpractice Litigation," *International Economic Review,* 60, 1029-1061.

*Silveira, B. (2017): "Bargaining with Asymmetric Information: An Empirical Study of Plea Negotiations," *Econometrica*, 85, 419-452.

Sieg, H. (2000): "Estimating a Bargaining Model with Asymmetric Information: Evidence from Medical Malpractice Disputes," *Journal of Political Economy*, 108, 1006-1021.

Watanabe, Y. (2006): "Learning and Bargaining in Dispute Resolution: Theory and Evidence from Medical Malpractice Litigation," working paper.

Jordan, A (2021): "What Can Plea Bargaining Teach Us About Racial Bias in Criminal Justice?," working paper.

Larsen, B. and A. Zhang (2021): "Quantifying Bargaining Power Under Incomplete Information: A Supply-Side Analysis of the Used-Car Industry," working paper.

*Larsen, B. and J. Freyberger (2021): "How Well Does Bargaining Work in Consumer Markets? A Robust Bounds Approach," working paper.

Keniston, D., B. Larsen, J. Prescott, B. Silveira and C. Yu (2022): "Fairness in Incomplete Information Bargaining: Theory and Widespread Evidence from the Field," working paper.

Backus, M., T. Blake, B. Larsen and S. Tadelis (2020): "Sequential Bargaining in the Field: Evidence from Millions of Bargaining Interactions," *Quarterly Journal of Economics,* 135, 1319-1361.